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**Comments of Northern California Power Agency  
Subject: Charge Code 6477 – Real-Time Imbalance Energy Offset**

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Comments

NCPA submits these comments in response to the CAISO's Analysis of Real-Time Imbalance Energy Offset (CC 6477) issue paper that was published on August 26, 2009. In the issue paper CAISO provides explanation for the cause of increased amounts charged to market participants for Real-Time Imbalance Energy Offset costs that have occurred since the implementation of the new market design. The CAISO provides sufficient evidence that an alternative for allocating these costs should be considered to ensure that Real-Time Imbalance Energy Offset costs are being allocated to market participants pursuant to cost causation principles.

Regarding the potential methodologies identified by CAISO for allocating these costs NCPA supports the near-term remedy proposed by CAISO. CAISO provides sufficient justification for its proposal to exempt load following Metered Subsystems (MSS) from charge code 6477. Load following MSS are required, by contract, to simultaneously balance supply and demand in real-time, and failure to do so will result in the assessment of significant deviation penalties. Therefore, a load following MSS's portfolio will be balanced in real-time and does not contribute to the costs identified by CAISO.

NCPA also generally supports CAISO's two-tiered allocation scheme described within the issue paper. NCPA agrees that identifying, and mitigating the underlying causes of the large energy price differentials between RTD and HASP that occur in a small number of hours within a month should be the ultimate goal of CAISO, but until such resolution can be determined CAISO's identified two-tiered approach appears to represent cost causation principles in assigning costs to those market participant's whose actions result in the costs being incurred. NCPA is still evaluating CAISO's identified long-term solution, and reserves the right to provide additional comments as required, but does support the initial concept proposed.